

Tuesday, 6 P.M.

March 9, 2004

**UTILITY RATE REVIEW COMMITTEE
MINUTES**

Public Safety Building

Newberg, Oregon

Members Present:

Ernie Amundson
David Maben
Jeff Ratcliffe

Blane Hansen
Lou Larson

Dan Schutter
Lon Wall (chair)

Members Absent: Matson Haug

Others Present: Dan Danicic, City Engineer
Jadene Stensland, Utility Engineer
Mike Soderquist, CDD Director
Debbie Galardi, Consultant

1. Call to Order

The meeting was called to order at 7:05 PM by Chair Lon Wall.

2. Roll Call

Roll call was noted by Dan Danicic.

3. Minutes

The minutes of the February 24, 2004 meeting were passed by those present with one correction. In the first sentence of the last paragraph on page one, "CPI" should be "inflation factor."

4. Continued Business: Sewer Rate Review

The meeting began with staff handing out a compilation of answers to various questions raised by the committee at the February 24, 2004 meeting. After taking time to read the material, those present agreed to hold specific questions until after Debbie Galardi's presentation.

Debbie Galardi started by presenting the last projected rate increase estimating 6% increases for FY 04/05 and 05/06 then 0% for the following two years. Ms. Galardi then presented an alternative rate increase proposal that would spread the rate increases over four years resulting in a 3.8% increase annually. She also noted that the 2002 Clean Water and Drinking Water Infrastructure Gap Analysis performed by EPA determined that municipalities nationally should increase annual spending by 3% over inflation. Mr. Wall asked why is this the case. Ms. Galardi replied that historically cities have not been depreciating their sewer systems sufficiently in order to budget for replacement costs. Mr. Danicic pointed out that in the handout materials there is a graph showing that the current value of the City's sewer pipe system is \$73 million. The City should now, based on the age of our system, be budgeting over \$1 million each year for replacement.

Next, Ms. Galardi presented an overview of the sewer cost of service and rate design methodology. She specifically described that the cost allocations are based on system

functions (collection, headworks, treatment, billing, administration, etc.), service characteristics (flow, infiltration & inflow [I&I], biochemical oxygen demand, etc.), and customer classes (residential, commercial, industrial, etc). She then reviewed the basis of the rate design as volume rates (average flow, strength and 20% I&I) and fixed charges (billing and 80% I&I).

Mr. Hansen asked about the source of the loading assumptions used to distribute the loads to each customer class (slide 13). Ms. Galardi replied that industry standards are the basis as the City does not monitor each individual discharge.

Regarding Kathy Tri's March 5, 2004 memo to the Rate Review Committee:

- Mr. Schutter asked what percentage of the City Manager's office is being allocated to the sewer fund.
- Mr. Amundson questioned the total presented for Central Services (\$308,273) is less than the \$511,372 present at the February 10, 2004 meeting. He would like to see where are the differences.

Mr. Larson felt that the information presented does not answer his question regarding the unit cost to provide sewer service. Mr. Danicic explained that the nature of providing collection and treatment differs from that of a manufacturing facility. In order for the City to provide adequate service it is necessary to construct facilities in large steps unlike a typical manufacturer that increases capacity only when demand increases. Mr. Larson felt that staff was unwilling to provide the information.

There was discussion on whether or not to vote on proposed rates. Msrs. Wall, Larson and Amundson were not comfortable making a recommendation before completing the review of the water rates. Mr. Ratcliffe felt that the committee should come to a preliminary decision at this time while the information was fresh in their minds. Some committee members felt that there was still some more information they needed from staff before a decision could be made. It was decided that the first hour of the next committee meeting would be spent on making a decision on sewer rates.

The next meeting date will be March 23, 2004 at 6:00 PM at the Public Safety Building, with a dinner to be provided. The first hour will be dedicated to a wrap-up of sewer rates. The remainder of the meeting will be focused on water rates.

Approved by the Utility Rate Review Committee on this March 23, 2004.